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C O N F I D E N T I A L SECTION 01 OF 02 RANGOON 000239

SIPDIS

STATE FOR EAP/BCLTV, EB
PARIS FOR USOEC - PLEASE PASS US DELEGATION TO FATF PLENARY
COMMERCE FOR ITA JEAN KELLY
TREASURY FOR OASIA JEFF NEIL
USPACOM FOR FPA

E.O. 12958: DECL: 02/22/2014
TAGS: [EFIN](#) [SNAR](#) [ECON](#) [PGOV](#) [BM](#)
SUBJECT: BURMA: ANOTHER TENTATIVE STEP ON MONEY LAUNDERING

REF: A. 2/23 WOHLAUER-DERGARABEDIAN EMAIL
 [B. RANGOON 174 AND PREVIOUS \(NOTAL\)](#)
 [C. 03 RANGOON 1595 \(NOTAL\)](#)

Classified By: DCM Ron McMullen for Reasons 1.5 (B,D)

[11.](#) (C) Summary: As is its custom, the GOB released with no warning news of three important steps toward the implementation of its anti-money laundering law. It announced the setting of threshold amounts for banking and real estate transactions, and the naming of members to its nascent Financial Investigation Unit. However, it refused to make public any specifics. Though these are key moves in principle, the lack of openness and the GOB's dire lack of capacity to fight financial crime lead us to advise caution in giving Burma's money laundering regime a clean bill of health. End summary.

Oh, By the Way, We Reformed

[12.](#) (C) With no prior warning, the Burmese Minister for Home Affairs on February 19 sent a letter to the Financial Action Task Force (FATF) secretariat informing the body of three significant anti-money laundering directives approved by the GOB cabinet on January 8. First, the letter indicated the Minister, as chairman of the new money laundering Central Control Board (CCB), had set a "specific," though unmentioned, threshold amount for reporting requirements. Second, the CCB had set a "specific," though again unmentioned, threshold amounts for real estate transactions. Finally, the CCB formally named representatives to the Financial Investigation Unit (FIU).

[13.](#) (C) The three January directives close several gaps that remained even after the GOB in December 2003 issued long-awaited regulations to promulgate its June 2002 Control of Money Laundering Law (CMLL; see ref C). It was, in part, the lack of these regulations that led FATF last November to officially urge its member countries to impose countermeasures against Burma. The other half of FATF's concern, the lack of a mutual legal assistance framework law, has not yet been addressed.

Thresholds Set, But We're Not Telling

[14.](#) (C) According to a close Embassy source, and member of the FIU, the specific contents of the three directives remain highly classified. He said the CCB reported the threshold amounts only to the banks, the FIU, and Central Bank of Myanmar. Likewise for the real estate transaction threshold. We learned from other sources in the GOB and at private banks, though, that the threshold amount for banks was set at 100 million kyat (roughly US\$120,000). However, private bankers told us, they had yet to receive any written notification on this new requirement. We have not yet been able to verify the threshold amount set for real estate transactions.

The FIU: Outfitted But Not Ready for Battle

[15.](#) (C) The FIU membership announcement is also classified, however, our FIU contact was willing to tell us who was on the list. The director of the FIU will be a police Colonel from the Myanmar Police Force's Central Committee for Drug Abuse Control (CCDAC). He will have two deputies, one from the Police Force's Central Investigation Division (CID) and one from the Ministry of Home Affairs' Bureau of Special Investigation (BSI). (Note: The Myanmar Police Force is also under the aegis of the Home Affairs Ministry.)

[16.](#) (C) The rest of the committee is made up of a Lt. Colonel from CCDAC, and deputy director-level officials from BSI, the Central Bank, the Land Record Department, the Internal Revenue Department, the Customs Department, and the Auditor General's office. There will also be three administrative staff from the CCDAC, the Police Force, and the BSI. The investigative staff will be made up of various officers from the BSI, CID, CCDAC, and Customs.

[17.](#) (C) In the context of asking for more international

capacity building, our contact admitted that there was a real dearth of well-trained financial investigators in the Burmese law enforcement community. This, he said, would be the primary barrier to enforcement of the money laundering statute. He told us that since the FIU's formation in mid-January, there had not been any reports from banks and no investigations begun by the FIU. This is not a good sign. Although private banks have been in shambles since a banking crisis struck in February 2003, and thus will not be engaging in major transactions (see ref B), the FIU's investigations were supposed to be retroactive to the passage of the CMLL in June 2002, when the private banks were at the peak of their freewheeling ways.

Comment: Some Good, But No Credibility

18. (C) The appointment of solidly professional, vice political, officials to the FIU is a reassuring step. Likewise, we concur that the lack international training on fighting money laundering and terrorist financing will be a large obstacle to the successful enforcement of Burma's now "complete" money laundering regime. However, we are dismayed that once again the senior SPDC leadership is clearly having a hard time committing fully to a policy step. This is too bad, as it will keep Burma from getting whatever credit is due from making important reforms, at least on paper. It also makes us suspicious of the SPDC's motives, and leaves us to advise caution until there is evidence of real action taken. The result of the ongoing investigation into two of Burma's most notorious private banks, due in early March, will be the first test of the SPDC's earnestness to combat money laundering. End comment.

Martinez